



**CITY OF SCOTTSDALE  
DESERT DISCOVERY CENTER PHASE III FEASIBILITY COMMITTEE**

**FRIDAY, JANUARY 27, 2012**

**GRANITE REEF SENIOR CENTER  
ROOM 7  
1700 NORTH GRANITE REEF ROAD  
SCOTTSDALE, ARIZONA 85257  
MINUTES**

**MEMBERS PRESENT:** Mike Nolan, Chair  
Patrick Weeks, Vice Chair  
Nancy Dallett  
Melinda Gulick

**ABSENT:** Ken Travous

**STAFF:** Kroy Ekblaw  
Bill Peifer  
Joe Padilla

**Call to Order/Roll Call**

Chair Nolan called the meeting of the Desert Discovery Center Phase III Feasibility Committee to order at 8:12 a.m. A formal roll call confirmed a quorum of members present as stated above.

**1. Approval of Minutes**

- Regular Meeting: January 11, 2012

**VICE CHAIR WEEKS MOVED TO APPROVE THE MINUTES OF THE REGULAR MEETING OF JANUARY 11, 2012 AS AMENDED. COMMITTEE MEMBER GULICK SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FOUR (4) TO ZERO (0). COMMITTEE MEMBER TRAVOUS WAS ABSENT.**

## 2. Agenda Items

- Discussion – Next Steps for Committee
  - a. Preparation of Recommendations, Final Report

Kroy Ekblaw summarized that staff would incorporate the Committee's recommendations into the draft report. Once the report is complete, the Committee would have an opportunity to refine the language in preparation for a presentation to the City Council.

- b. Tentative schedule – presentations to Boards/Commissions, Stakeholders, City Council

Mr. Ekblaw said he would provide an oral summary of the Committee's recommendations during the February meeting of the McDowell Sonoran Preserve Commission. They are particularly interested in the recommendation regarding the Preserve Ordinance. The MSPC will be presented with the full report at the March meeting.

- Discussion/Action on Recommendations
  - c. Economic Feasibility/Viability

Vice Chair Weeks said he would support the Phase Two Feasibility Study as amended during the prior meeting to include the business plan based on a \$5 million budget. Committee Member Dallett and Chair Nolan agreed.

Committee Member Gulick addressed concerns expressed by some citizens that the DDC's earned revenue would not cover its operating costs, by noting that non-profit organizations commonly require both contributed and earned revenues to operate. She suggested that the Committee reaffirm their comfort with using what is essentially a typical business model for a non-profit organization.

Committee Member Dallett felt that the Committee Members' stated concerns should be included in the recommendation. The \$5 million study came about because of the reservations that were expressed in prior meetings. Chair Nolan agreed. He also suggested that the Committee recognize that the operator is the single most important factor in determining the success of the DDC.

Committee Member Dallett said even though some phasing might be necessary, the Committee felt that phasing was not the best option to take. She also suggested adding a statement that the operator should strive to ensure that the DDC reflect the unique nature of the Sonoran Desert, and that the programming and exhibits will support the educational mission, as opposed to being simply an entertainment experience. Vice Chair Weeks said those decision will ultimately be up to the Board of the 501(c)(3). The only real control over that decision would come in the form of the expectations that would be applied to a contract.

**VICE CHAIR WEEKS MOVED TO CONFIRM SUPPORT FOR THE PHASE TWO  
FEASIBILITY STUDY, INCLUDING THE \$5 MILLION BUSINESS PLAN**

**AMENDMENT, AND RECOGNIZING THAT AS A NON-PROFIT ORGANIZATION, THE DDC'S EARNED REVENUE WILL NOT COVER ITS OPERATING COSTS, AND ALSO RECOGNIZING THE IMPORTANCE AND CRITICAL NATURE OF THE OPERATOR AND MANAGEMENT STAFF, AND THEIR INVOLVEMENT IN THE FINAL SELECTION OF SITE DESIGN, ARCHITECTURE, EXHIBITS, AND PROGRAMMING DESIGNED TO SUPPORT THE EDUCATIONAL MISSION OF THE DDC. COMMITTEE MEMBER GULICK SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FOUR (4) TO ZERO (0). COMMITTEE MEMBER TRAVOUS WAS ABSENT.**

d. Funding Options/Business Model

i. City/Private funding

Committee Member Gulick said it is reasonable to expect that available public funding would not exceed \$50 million. That could change over time as an operator is identified and the DDC's supporters start bringing it to life. Ideally, the project will come in below \$74 million total, and the City should not be asked to provide more in bond funds than what is described in the feasibility study. However, she felt that locking into specific dollar amounts or even ratios would limit future flexibility.

**COMMITTEE MEMBER GULICK MOVED TO CONFIRM THE PROPOSED FUNDING MODEL, RECOGNIZING THAT WHILE THE TARGET WILL ROUGHLY BE ONE-THIRD PRIVATE AND TWO-THIRDS PUBLIC, THE EXPECTATIONS ARE THAT THE CITY WOULD NOT EXCEED A \$50 MILLION BOND PROVISION, AND THAT THE PRIVATE OPERATOR WOULD BE RESPONSIBLE FOR EITHER RAISING THE DIFFERENCE, OR ADJUSTING THE DESIGN ACCORDINGLY, AND THAT THE CITY WOULD BE RESPONSIBLE FOR CAPITAL COSTS, WHILE PRIVATE FUNDRAISING WOULD COVER NON-CAPITAL COSTS. VICE CHAIR WEEKS SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FOUR (4) TO ZERO (0). COMMITTEE MEMBER TRAVOUS WAS ABSENT.**

ii. Capital vs. Operating Costs

Vice Chair Weeks said the City should have the flexibility to offset rent as a type of in-kind contribution. He suggested modifying a reference to "HVAC equipment" so that it reads, "major equipment," and suggested defining just how far beyond the physical building, the DDC's landscaping responsibilities extend.

**VICE CHAIR WEEKS MOVED TO CONFIRM SUPPORT FOR THE PROPOSAL RECOGNIZING THAT NEGOTIATED ASPECTS RELATED TO THE LEASE OF THE SITE AND BUILDINGS, AND THE DEFINED RESPONSIBILITIES FOR PARKING AND EXTERIOR LANDSCAPING VERSUS THE INTERNAL LANDSCAPING ARE GRANTED TO THE OPERATOR THROUGH THEIR CONTRACT WITH THE CITY, AND AMENDED SO THAT THE LANGUAGE REFERS TO "MAJOR EQUIPMENT" RATHER THAN JUST "HVAC EQUIPMENT." COMMITTEE MEMBER GULICK SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FOUR (4) TO ZERO (0). COMMITTEE MEMBER TRAVOUS WAS ABSENT.**

e. Timing

i. Expectation for adequate level of private sector funding

Committee Member Gulick reported that she spoke to six potential major donors to the DDC project, each of whom are extraordinarily enthusiastic about it, yet feel that they are not in position to make multi-year commitments of the amount required due to the current market conditions. This is simply not a good time to pursue commitments to capital campaigns from the private sector. Even though the potential donors feel the project is right, the timing is not. She suggested waiting until a more opportune time to restart the private sector fundraising effort, and reiterated that the potential donors are expressing their concern about the market, not the project itself.

Committee Member Dallett inquired whether any of the campaign committee members were willing to serve in the short term to ensure continuity with the feasibility study. Committee Member Gulick responded that the interest is certainly there, as opportunities to help build an organization like the DDC do not come along very often. She explained that the private fundraising effort involves more than just wealthy donors; it involves people who have expertise in the subject, a passion for the project, and includes people from a broad cross section of the community.

ii. Expectation for City consideration of bond package/bond election

Committee Member Gulick felt that it would be better for the project if the Committee recommended to the Council that the time is not right to move forward with the project, and that it should be re-evaluated in a year. The Committee believes that the project has merit, and that the investment in dollars, volunteer time and staff time have been worthwhile. Committee Member Dallett inquired whether a mechanism would be established to determine who handles the re-evaluation in one year. Mr. Ekblaw said the Committee could potentially reconvene to reassess whether the private fundraising study should go forward or not.

Chair Nolan suggested that if a private 501(c)(3) were established soon, the public would have an opportunity to evaluate their capacity to deliver on the project, and understand that there is strong interest for it. Vice Chair Weeks agreed that the project requires a dedicated director if it is to move forward. That person needs to be able to get fundraising off the ground, work in the political realm, inspire the volunteers, and display a passion for the DDC. He suggested scheduling the periodic meetings in advance to re-evaluate fundraising potential so that the project is not forgotten. Mr. Ekblaw explained that since bond elections can only occur in November, recommendations to the City Council should target the January and March time frame in any given year.

**VICE CHAIR WEEKS MOVED TO RECOMMEND THAT COUNCIL NOT MOVE FORWARD WITH A BOND ELECTION IN 2012, BUT STARTING IN THE FALL OF 2012, RE-EVALUATE ANNUALLY THE POTENTIAL OF A BOND ELECTION IN THE FOLLOWING YEAR. COMMITTEE MEMBER GULICK SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FOUR (4) TO ZERO (0). COMMITTEE MEMBER TRAVOUS WAS ABSENT.**

Committee Member Gulick inquired whether Council would rely on the non-profit organization to make a fundraising evaluation recommendation, or would another body be appointed for that purpose. Mr. Ekblaw said it would likely be some combination of staff, the operator and/or a committee.

f. Strategic Next Steps

i. City Project Manager for the DDC

Vice Chair Weeks inquired about the nature of the City project manager position to handle the transition from the City to the operator. Mr. Ekblaw explained that depending on how long the RFP process takes, the position might not be required at all. It could simply mean enacting a second year of \$80,000 in bed tax revenue to support activity in development of the RFP. It would not mean that a City project manager would transition into the leadership position of the non-profit organization.

ii. Preparation of an RFP and review process to select a 501(c)(3) solely dedicated to operating the DDC

Chair Nolan proposed that the RFP process begin as soon as possible if the project is to move forward. Committee Member Dallett felt that Dan Gruber's suggestion to have the DDC Committee be involved in the RFP development and selection process was a good one. Mr. Ekblaw cautioned that there are open meeting law challenges to having the entire Committee involved with the selection team, though they could opt to send a representative. The City would handle the development of the RFP, while sharing information and taking input from the Committee. Vice Chair Weeks said he is less concerned with the present Committee being involved in the RFP selection process than he is with ensuring that the selection committee includes a museum professional with the experience to provide an in-depth perspective on what is needed to run the DDC.

Committee Member Gulick noted that she could potentially be involved in a 501(c)(3) organization that would be formed with the purpose of submitting an RFP application. Joe Padilla explained that while Ms. Gulick does not currently have a State law conflict, she does have a potential appearance of impropriety. Based on that opinion, Committee Member Gulick said she would abstain from the vote on this recommendation.

**VICE CHAIR WEEKS MOVED TO PROPOSE THAT THE RFP PROCESS BEGIN IMMEDIATELY, AND THAT THE COMPOSITION OF THE BOARD REVIEWING APPLICANTS FOR THE RFP INCLUDE A MUSEUM PROFESSIONAL WHO CAN PROVIDE IN-DEPTH PERSPECTIVE AND DEMONSTRATED EXPERIENCE WITH RUNNING A FACILITY LIKE THE PROPOSED DDC. THE NON-PROFIT ORGANIZATION WOULD BE RESPONSIBLE FOR HIRING AN EXECUTIVE DIRECTOR. COMMITTEE MEMBER DALLETT SECONDED. THE MOTION CARRIED BY A VOTE OF THREE (3) TO ZERO (0), WITH COMMITTEE MEMBER GULICK ABSTAINING. COMMITTEE MEMBER TRAVOUS WAS ABSENT.**

**3. Staff and Committee Updates (A.R.S. 38-431.02(K))**

Mr. Ekblaw said the Committee's recommendation not to proceed with the bond election in 2012 answers the Bond Task Force's primary question.

**4. Public Comment (A.R.S. 38-431.02 (K))**

There were no public comments.

**5. Identification of Future Agenda Items**

Mr. Ekblaw stated that the February 8 meeting could be the Committee's last. If necessary, February 22 is available for another meeting should the Committee require more time to finalize business.

**6. Adjournment**

With no further business to discuss, the Committee meeting adjourned at 9:21 a.m.

Respectfully submitted,  
A/V Tronics, Inc. DBA AVTranz.